



## THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: August 2, 2001 REPORT NO. 01-175

ATTENTION: Rules, Finance and Intergovernmental Relations Committee  
Agenda of August 8, 2001

SUBJECT: Energy Conservation and Management Status Report No. 5

REFERENCE: Manager's Report No.01-115, dated May 31, 2001  
Manager's Report No.01-062, dated March 29, 2001

### SUMMARY

#### Issues –

- 1) Should the City Council direct the City Attorney and City Manager to prepare and provide comments at the California Public Utilities Commission (CPUC) Public Participation Hearing in San Diego on September 10, 2001 in favor of revising Baseline Zones in San Diego and increasing baseline energy allocations to reflect current residential energy usage patterns?
- 2) Should the City Council authorize the City Manager to partner with the San Diego Regional Energy Office (SDREO), County of San Diego, County Water Authority, SANDAG and other governmental agencies in sponsoring a San Diego Regional Energy Infrastructure Study to be used in the development of a Regional Energy Strategy and provide proportional funding for the study not to exceed \$75,000?
- 3) Should the City Council authorize the City Manager to enter into an Electronic Data Interchange (EDI) and Funds Transfer Agreement with San Diego Gas & Electric Company so the City can receive and pay its 3000 monthly energy bills electronically?

### Manager's Recommendations –

- 1) Direct the City Attorney and City Manager to provide comments at the CPUC Public Participation Hearing on September 10, 2001 regarding baseline energy allowances urging the CPUC to: 1) revise Baseline Zones in San Diego, 2) increase the percentage of average energy use to the highest legally allowed in establishing baseline quantity levels and 3) to take into consideration changes in residential energy use patterns since baseline levels were last revised in 1989 including the significant energy conservation measures taken over the last year.
- 2) Authorize the City Manager to participate in a San Diego Regional Energy Infrastructure Study and provide proportional funding for the study not to exceed \$75,000.
- 3) Authorize the City Manager to enter into an Electronic Data Interchange (EDI) and Funds Transfer Agreement with San Diego Gas & Electric Company to enable the City to immediately transition from “paper” energy bills to receiving energy bills electronically and ultimately to paying energy bills through the electronic transfer of funds.

### Other Recommendations – None

Fiscal Impact – The \$75,000 cost of the Regional Energy Infrastructure Study will be allocated between the Environmental Services Department, Water Department, MWW and the General Fund in the same proportions as the energy program was initially funded. There is no direct fiscal impact from entering into the EDI Agreement with SDG&E. The internal programming costs for using the EDI data for the management of energy consumption is estimated to be less than \$30,000 and is available in existing data processing budgets of the participating departments.

### BACKGROUND

On January 17, 2001, Governor Gray Davis declared that a State of Emergency existed in California due to a shortage of electrical energy. The California Independent System Operator (CAISO) projected that California would face significant energy shortfalls during June through September with power outages occurring on up to 35 days during the summer months.

City staff provided an initial report on the energy emergency and the status of the City's energy conservation and managements efforts at the Rules Committee meeting on February 21, 2001. The Committee directed the Environmental Services Department to return with monthly updates regarding the City's response to the energy emergency. This fifth status report responds to that direction and to specific questions raised at the Rules Committee meeting of July 11, 2001.

## DISCUSSION

### Summer Energy Outlook

During July, Statewide peak daily energy demand levels remained significantly lower than projected by CAISO in its March 22, 2001 "Summer Energy Outlook Report." In that report, CAISO projected peak daily energy demand levels during June, July, August and September would reach 47,000 MW and exceed energy supplies resulting in rolling blackouts. As the result of a combination of voluntary energy conservation efforts by California residents, business and governmental agencies and cool weather, peak energy demand during June and July only exceeded 36,000 MW two days, July 2 and 3, and never exceeded the 40,000 MW level. Additionally because of new generation capacity becoming available and imported energy, adequate energy supplies were available for the entire period. However, if statewide average temperatures in August exceed the 90 degree temperatures experienced on July 2 and 3, 2001, when peak demand reached 40,000 MW and Stage 2 Alerts were issued, then energy supplies could be strained to meet peak demand levels as originally projected by CAISO and the potential for Stage 3 Alerts and rolling blackouts could return.

Therefore, it is essential that Californian's continue their concerted energy conservation efforts throughout Summer 2001 to avoid or minimize the potential for rolling blackouts.

### San Diego Area Electrical Generation Facilities

Since the last Energy Status Report, there have been three changes regarding area energy generation facilities, all of which occurred on July 11, 2001. First, the 50 MW Wildflower – Larkspur peaking facility on Otay Mesa became operational. Second, the 50 MW CalPeak Border peaking facility on Otay Mesa received its final permits from the California Energy Commission (CEC). The facility should be on-line and operational by the end of September. Third, developers of the controversial 57 MW expansion of the existing RAMCO peaking facility in Chula Vista withdrew their application, after approval from the CEC, citing a lack of confidence in the credit worthiness of CAISO as the energy purchaser through a Summer Reliability Agreement (SRA). RAMCO wanted the State Department of Water Resources (DWR) to provide credit support for CAISO or to assume CAISO's SRA. When the DWR would not agree to those demands, RAMCO stated they would not be able to commit to a construction schedule that would have the facility operational by the September 30, 2001 date required by the CEC permit and, therefore, the permit was nullified.

### San Diego Area Baseline Zones

At the July 11, 2001, Rules Committee meeting, Mr. Nelson of SDG&E presented information on how SDG&E's service area is divided into three climatic Baseline Zones. The Committee requested staff to return with additional information regarding the San Diego area Baseline Zones.

Under State law, the Miller-Warren Energy Lifeline Act of 1976, the California Public Utilities Commission (CPUC) was required to designate a baseline quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer. In setting those quantities, the CPUC was directed to take into account the difference in energy needs between all-electric residences and those with both gas and electric service and to take into account differences in energy use by climatic zone and season. Initially baseline quantities were set at 50 to 60 percent of the average residential customer's consumption in similar climatic zones. Additionally, CPUC was directed to provide higher energy allocations for residential customers with special medical needs who are dependent upon life-support equipment than are allocated for the average residential customer. According to SDG&E, this provision is working well and has the flexibility to meet the individual needs of residents with special requirements.

For the San Diego area, three baseline climatic zones were established and no allowance was made for seasonal differences in energy usage. The climatic zones for San Diego and the percentage of the residential customers in each zone are:

Climate Zone 1:	Coastal Area to the Mountains	98.5% of Customers
Climate Zone 2:	Mountain Areas	1.0% of Customers
Climate Zone 3:	Desert Areas	.5% of Customers

Climate Zone 1 represents 98.5% of all San Diego area residential customers and 100% of City of San Diego residential customers. It does not appear that the current zone boundaries accurately reflect climatic variances within the San Diego area since Climate Zone 1 extends from the cooler coastal areas to the inland areas that experience significantly warmer temperatures during summer months. Additionally, baseline quantities do not reflect the seasonal variances in energy use during the summer when air conditioning use is needed in San Diego's inland areas.

#### Baseline Allowances and Revisions

The Public Utilities Code, Section 739, requires the CPUC to review and revise baseline quantities as average consumption patterns change in order to maintain baseline quantity ratios of 50 to 60 percent of average residential consumption. Baseline quantities were established in 1976 and last revised in 1989. While baseline quantities are set based on daily consumption to reflect the variance in the number of days in a billing cycle, they currently average about 250 kWh per month for San Diego residences.

SDG&E consistently uses a "bill frequency" methodology in setting baseline quantities, believing that it results in a higher baseline than using an arithmetic average of the usage by residential customer. The bill frequency method seeks to find the energy usage level that includes target levels (55% of all customers) and that quantity becomes the baseline level.

Consumption patterns for energy usage have changed significantly over the last 25 years. Although newer homes, appliances and other electronics are more energy efficient, significant changes have occurred that impact average energy usage patterns. Baseline allowances should, but currently do not, take into consideration the larger sizes of newer homes, increases in homes with air conditioning, newer technology and appliances, microwave ovens, personal computers, VCRs and climatic conditions in determining average residential consumption as well as other characteristics now prevalent in everyday lives. According to SDG&E calculations, the 1988 baseline level of 250 kWh covered monthly usage of 55% of residential accounts. In 2001, a baseline of 252 kWh covers the monthly usage of only 47% of residential accounts. Their records also indicate that electrical energy use was very stable in 1998 through 2000, and then decreased significantly (20%) in 2001 due to conservation efforts. The consumption rates were: 1998 – 485 kWh, 1999 – 474 kWh, 2000 – 481 kWh, and 2001 – 392 kWh.

### Importance of Baseline Quantities

The CPUC is considering the largest rate increases imposed by the CPUC on customers in the PG&E, SCE and SDG&E service areas to provide sufficient revenues for wholesale power purchases and to promote conservation. The rate increases are based on spreading the increases among residential customers who use more than 130% of baseline quantities. During public hearings on the proposed rate increases in PG&E and SCE territories, the major issue raised by public speakers was the difficulty in achieving usage within baseline levels. Many questioned how baseline levels were set, that they were outdated and should not be used as the benchmark for spreading the proposed energy surcharge (rate increase).

Revisions to the baseline allowance could increase energy allocations to a level more reflective of current energy use patterns. Accurate baseline allotments are important since residential customers that exceed their baseline allotment by 130% could experience significant rate increases under SDG&E's proposed five-tier rate structure. Consumers who use less than their baseline allowance would continue to pay 6.3 cents per kWh. Tier two would charge 8.8 cents per kWh for energy between the baseline quantity and 130% above the baseline. Tier three is for energy used between 130 % and 200% of the baseline allowance and would be 10.29 cents per kWh. Tier four would charge 14.09 cents per kWh for energy used between 200% and 300% of baseline levels. Tier five would be for all energy used above 300% of the baseline level which would be charged at 17.89 cents per kWh. The following table is an example of how tiered pricing would work in four scenarios based on a 250 kWh baseline:

	200 kWh/Mo kWh/\$	400 kWh/Mo kWh/\$	600 kWh/Mo kWh/\$	800 kWh/Mo kWh/\$
Tier 1, \$.066	200 / \$13.20	250 / \$16.50	250 / \$16.50	250 / \$16.50
Tier 2, \$.088	-	75 / \$6.60	75 / \$6.60	75 / \$6.60
Tier 3, \$.1029	-	75 / \$7.71	175 / \$18.01	175 / \$18.01
Tier 4, \$.1409	-	-	100 / \$14.09	250 / \$35.23
Tier 5, \$.1789	-	-	-	50 / \$8.85

Total / Avg kWh	\$13.20	\$30.81	\$55.20	\$85.19
(\\$)	\$0.066	\$.077	\$0.092	\$0.1065

The table illustrates just the energy portion of the “theoretic” monthly bills, in addition there would be \$0.085 per kWh for distribution charges and taxes and fees to calculate the entire monthly cost.

The CPUC has scheduled seven Public Participation Hearings throughout the State to obtain public views on the issues of Baseline Zones, Baseline Allowances and potential revisions. A hearing will be held in San Diego at 7:00 PM on September 10, 2001 in the San Diego Concourse. It is recommended that staff provide comments at that hearing, urging the CPUC to: 1) consider revising the Baseline Zones in San Diego from three zones (Coastal, Mountain, & Desert) to four zones (Coastal, Inland, Mountain & Desert) to more accurately reflect climatic and temperature differences during summer months, 2) raise the percentage of average use from the current 55% level to the 60% level permitted by law in calculating baseline quantities, and 3) take into consideration changes in energy use patterns since 1976 due to the expansion of home use of computers, faxes, air conditioning, etc. and that in looking at average annual energy usage that 2001 usage not be used in setting baseline quantities so as not to penalize residents for the energy conservation efforts that significantly reduced consumption during 2001. If baseline quantities are going to be used as a benchmark for allocating rate increases, then those quantities must be fair, accurate and attainable by conscientious residents.

#### Regional Energy Infrastructure Study

The San Diego Regional Energy Office (SDREO) has proposed to enter into a partnership with the City of San Diego, County of San Diego, County Water Authority, SANDAG, Utility Consumers Action Network (UCAN), the Port of San Diego, and other governmental agencies to conduct a comprehensive study of the need for energy infrastructure in the region and to guide public policy development of a long-term Regional Energy Strategy.

This report would provide information to help answer the question of should the County Water Authority construct and operate a 50 MW gas fired electrical energy generation facility and would the City of San Diego be able to commit to taking 40% of the net energy output from the facility. The study is proposed to be paid by the participating agencies with a maximum cost to any agency of \$75,000. The City’s commitment to the funding of this study would be contingent upon SDREO reaching agreement with a sufficient number of governmental agencies and NGO’s to fully fund the study.

#### Public Outreach Programs

*Summer Breeze: A Fund for Fans* is a program created to help with ensuring the safety of San Diego’s homebound or medically frail residents during times when temperatures may create unsafe living conditions. The program is a partnership of the City of San Diego, its employee giving program “SHARE,” SDG&E, United Way Chad, the San Diego Police Department, San Diego County, and the County Sheriff’s Department. Fans will be purchased as fundraising

efforts allow and then delivered to residents currently served by the Police and Sheriff's Retired Service Volunteer Program (RSVP) and their in-home visit efforts.

*¡Power PaLooza!* is an energy fair and fundraiser for *Summer Breeze* scheduled for Saturday, August 18, 2001 from 11:00AM to 3:00PM. The event will coincide with the State of California's *Flex Your Power Appliance Awareness Week*, August 11 through 18, 2001. *¡Power PaLooza!* will be hosted jointly by the City of San Diego Environmental Services Department and San Diego Gas & Electric and will be held at the City of San Diego's Ridgehaven Green Building. It is targeted at homeowners and families and is designed to raise awareness about conservation methods and energy-efficient products. Funds earned above recovering event costs will be donated to the *Summer Breeze* effort.

*Heat Safe Zones* is a City of San Diego program, created in collaboration with San Diego County's "Cool Zones" Program, which is designed to provide citizens, who may not be able to cool their living quarters, with safe places to go during the day to get out of the heat. The City's libraries and parks and recreation facilities have been designated as *Heat Safe Zones*. Brochures describing the program and encouraging citizens to take part in the many activities available at these sites will be distributed throughout the city. San Diego County, SDG&E, Channel 10 and the City's websites will identify the city's *Heat Safe Zone* facilities.

Private funding sources are being developed to expand corporate sponsorships for the *Green Schools Program*. This program teaches students about energy use, air pollution, and global climate change, while helping non-profit organizations that have been heavily impacted by the current energy-supply shortage. In last spring's pilot project, eight Rancho Bernardo High School students conducted a lighting audit and coordinated a lighting retrofit at the Sherman Heights Community Center in June. Sony Corporation donated money to help the students purchase energy-efficient lighting fixtures and the services of Amtech Lighting to conduct the lighting retrofit. As a result, the Community Center's monthly electricity bill is expected to drop 35 percent. With similar contributions from other corporate sponsors, the goal is to expand the program to benefit hundreds of students and other non-profit organizations.

The City of San Diego is cosponsoring the August 25, 2001 *Green Built: San Diego Tour*, which is designed to highlight the City's Ridgehaven Building, Row Houses in downtown San Diego, a Shea High Performance Home, and a cluster of three straw bale custom homes in Jamul. The tour is part of a national effort produced in partnership with the U.S. Department of Energy and the Sustainable Living Alliance.

#### City Energy Internet Site

The Environmental Services Department's Energy Conservation & Management Division is moving forward with the development and deployment of a portal-driven internet site devoted to energy issues. Citizens of San Diego will soon have a single location on the web where they can monitor the City's response to the California energy emergency, give advice on how the City can conserve energy and save money, and find tips on how they too can reduce energy consumption

and save money. The site will include links to the SDG&E and CAISO web sites that provide

up-to-the-minute status of statewide electricity consumption and supply and the likelihood of unplanned outages. The portal product distributed by Viador™ will be used for this development effort, and ESD and SDDPC staff is working cooperatively to implement this vision. The current timeline specifies that a working internet site will be in place by August 8, 2001.

#### Photovoltaic Energy Generation Projects

As previously reported, City staff is pursuing the multi-year implementation of photovoltaic energy generation systems at City facilities in furtherance of Goal #9, Pursue Energy Independence. Under current State law, which allows net metering or an equal exchange of value for energy generated and provided to the grid and energy consumed from the grid, individual facilities can in effect be energy independent.

The Request for Qualifications for the installation of photovoltaic systems was advertised in various publications beginning on Friday, July 20, 2001. The advertisement appeared in several publications including: The San Diego Daily Transcript, Integrated Marketing Systems, San Diego Public Record Reporter, La Prensa San Diego, Asian Journal, The Voice & Viewpoint.

The review and selection of qualified Design/Builder's include the following milestones:

Pre-Submittal Meeting .....	July 31 2001
Statement of Qualification due.....	August 21, 2001
Panel Interviews .....	August 27 thru August 31, 2001
Select Qualified Design Builders .....	September 7, 2001
Letter of Notification.....	September 14, 2001

Following the completion of the RFQ process, the qualified Design/Builder's will receive the first Request for Proposal package. The qualified firms will have thirty (30), days to propose what they believe to be the best design for a particular facility or group of facilities as presented in the RFP. The first RFP will bundle five facilities including the Environmental Services Operations Center, the Ridgehaven Green Building and three facilities at the Metropolitan Operations Center, totaling about 150 kilowatts of electricity. All qualified Design/Builders will have an opportunity to present their ideas to the RFP interview panel. The RFP selection process will be completed in six weeks, followed by four weeks of preparation and approval for the shop drawings and permit approvals. The construction phase can typically begin 12 weeks after the initial RFP date. Construction is anticipated to begin by January 2002 and be fully operational before summer 2002.

Change in Approach for the Installation of Photovoltaic Systems:

Originally the energy team proposed a two-phased approach for implementing a Photovoltaic Energy Generation Program. The energy team is now proposing a single phased approach. This change is based on additional information gathered during the last eight weeks and knowledge of today's Photovoltaic (PV) market and market sustainability.

Currently, photovoltaic equipment prices coupled with state agency buy-down incentive programs make these projects economical. Without buy-down incentive programs, these systems are not economically feasible. These buy-down incentive programs are scheduled to last through 2002 and anticipated to be extended for an additional five to ten years.

The RFQ requirements have been expanded to include a large range of potential projects. The RFQ has been structured to qualify design/builder's for a period of one year. During this one-year period, the City will issue multiple RFP's containing one or more projects, ranging in size from 15 kilowatts up to 1 megawatt in size.

The single phased approach will promote a partnership between the City of San Diego and the qualified design/build teams. This approach will also allow the City of San Diego to re-evaluate its position regarding the installation of PV systems on an annual basis. If the State buy-down programs are extended as is currently anticipated, the City could then enter into multi-year requirements contracts that would provide maximum flexibility in installing PV systems in both new construction and retrofits of existing facilities.

#### Additional PV Projects

To assist in the City's energy conservation and generation efforts using renewable resources, the Environmental Services Department's Programs Division negotiated the installation of two Photovoltaic (PV) systems as part of its new contract with Allan Company for the operation of the Miramar Recycling Center. The contract is currently being circulated for approval and will come before the City Council for consideration in late September. As a part of the contract, the Allan Company will purchase, install, and maintain two stand-alone PV systems, one at the Miramar Recycling Center and one at ESD's Household Hazardous Waste Transfer Facility. The PV systems will be used to help power these facilities and will become property of the City once they are installed.

As reported at the March Rules Committee meeting, in March 2001 the U.S. Department of Energy (DOE), in partnership with the Environmental Services Department, completed a study that evaluated the technical and economic feasibility of placing PV arrays up to 1 megawatt at the Miramar Landfill. Based on the positive outcome from that study, DOE has agreed to fund a second feasibility study of a "Brightfield" PV array of up to 1 megawatt on the City's closed South Chollas Landfill. The City will fund an extension of the study to evaluate the cost effectiveness of placing PV panels on the rooftops of six buildings at the Chollas Operations Station to generate 500 KW of electrical power to meet the energy needs of the Operations Station.

## Energy Demand Reduction Program

The City has joined voluntary energy demand reduction program with San Diego Gas & Electric and Onsite Energy Corporation. These programs are funded by the State through the California Energy Commission and the California Independent System Operator to reduce energy demand during peak demand hours, and are expected to have the same effect as bringing additional energy generation capacity on line during Stage 2 Alerts. By taking part in these programs, the City is joining the County and other major businesses in the region in their efforts to reduce energy consumption when a Stage Three Alert is eminent as a means to try to avoid rolling blackouts. Besides helping reduce energy at critical times, the City will benefit by obtaining equipment free of charge that will help monitor City energy consumption and by being compensated at the rate of 17 cents per kWh reduced during a voluntary reduction episode.

These programs went into effect on June 1 and will extend until the end of September, with the potential of being extended further in time if there is a continuing need. Since the program went into effect, there has been only one energy reduction episode that took place on July 3. The City was not ready to participate in that episode because energy monitoring equipment had not been installed at participating City facilities at that time. At this point the City is ready to participate at most of its major buildings downtown. Procedures have been developed to participate in the next voluntary reduction episode when it takes place. Since the program is voluntary, energy usage in public buildings will not be reduced if it would impact operations or public functions.

## City Energy Status and Actions

### Power (Battery) Back-Up Systems at Top 115 Priority Intersections

On May 15, 2001, Council authorized the Transportation Department's Street Division to install power (battery) back-up systems at the top 115 signalized intersections throughout the city. At the date this report was prepared, back-up systems had been installed at 80 intersections and the remaining installations were proceeding within the contract schedule.

When the back-up systems are installed, the yellow caution lamps and the pedestrian signals are also converted from incandescent lamps to LED lamps and further reduce energy consumption during normal operation of the traffic signals as well as extending the time the signal can operate under the back-up battery power mode.

### Point Loma Wastewater Treatment Plant (PLWTP) Fuel Cell Project

The Point Loma Wastewater Treatment Plant (PLWTP) has relatively clean digester gas (biogas). While this renewable fuel is currently being utilized in a 4.5 MW cogeneration system, much of this gas is still being flared. The PLWTP utilizes 2 MW of this electricity on site. To make the best use of this renewable fuel source, MWWD is proposing to install fuel cells at the PLWTP. Sufficient excess gas exists for the production of an estimated 4 megawatts of additional electricity. The fuel cell technology is being proposed because it is an ultra clean process that

would reduce emissions of NOx and CO to the atmosphere from the PLWTP, which is currently classified as a major source of air pollutants by the Air Pollution Control District.

Due to space constraints, potential grant funding level constraints and the limited export capacity of the existing electrical substation, the project is being planned in two phases. The first phase, 1 MW, would be constructed in an existing paved area southwest of the Maintenance Building near the Gas Utilization Facility (GUF) and Central Boiler Facilities (CBF). The second phase, 3 MW, may be constructed in the area next to the GUF currently occupied by the SDG&E substation or at a location south of the plant planned for parking and construction trailers.

Potential grants for funding of up to 50% of the first phase are available from the California Public Utilities Commission as well as the California Energy Commission for installation of up to 1 MW of fuel cells utilizing renewable fuel. However, one of these grants requires the energy produced to be utilized on site. MWWD is trying to make arrangements with the grant administrator to provide a physical method to ensure the fuel cell electrical production is the electricity actually utilized by the PLWTP, in order to meet this requirement, and that electricity from existing generation sources is exported. MWWD is investigating other funding opportunities and grants that will make the two projects economically viable.

#### Electronic Data Interchange

ESD is working directly with SDDPC's Technology Office to automate the current gas and electric invoicing and billing process for the City of San Diego. Once the EDI protocol is implemented, SDG&E will transfer electronic invoice data to ESD for automated processing and approval of billing data. Once approved by individual departments and ESD Energy Division staff, EDI methods will also be used to automate the return payment to SDG&E. The project is currently undergoing a formal business case review and once approved, ESD can finalize an EDI contract with SDG&E and mobilize staff to begin development of the internal programming needed to take full advantage of this technology. The agreement with SDG&E will provide parallel billing using both invoicing methods (EDI and hard copy) for a period of six months to allow City staff to validate the accuracy of the digital data.

The EDI provided electronic data on energy consumption is a key element in the proposed Portal technology intranet and its business intelligence capability that will provide department managers with real time information on energy consumption compared to the four to five month delay in reporting with the current paper billing system.

#### Transfer of SDG&E Bill Payment Processing to Energy Conservation and Management Division

Energy Bill Payment has been fully transferred from the Facility Maintenance to the Energy Conservation and Management Division. The transfer of this responsibility will allow a smoother transition to Electronic Data Interchange and the development of analytical functions to help the City have more control of its energy budget and energy consumption, the development of a complete inventory of electric services, and more centralized control of energy functions to

respond faster to emergencies and energy industry /regulatory changes.

## CONCLUSION

California's energy emergency has been successfully managed to date through a combination of governmental activities such as expedited permitting of energy peaking facilities, contracting for energy supplies, concerted energy conservation efforts by citizens, businesses and government at the State and local level and new generation facilities coming on line. However, the energy economic emergency is still creating fiscal difficulties since energy bills are still significantly higher than previous years and major rate increases are being proposed to pay for energy purchased by the State, on both the spot market and under long term contracts, to avoid blackouts during the Summer of 2001.

## ALTERNATIVES

1. Do not provide testimony at CPUC public hearing.
2. Do not participate in or fund a Regional Energy Infrastructure Study.
3. Do not enter into an EDI Agreement with SDG&E.

These alternatives are not recommended because City needs to fully participate in energy issues on a regional basis as well as City specific basis to insure interests of San Diego residents and businesses are fully represented and EDI information is vital to upgrading the City's management of energy consumption.

Respectfully submitted,

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Approved by:

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LOVELAND/HAYS/RAE